



# NEWS RELEASE

OFFICE OF THE UNITED STATES ATTORNEY  
WESTERN DISTRICT OF MISSOURI

**TODD P. GRAVES**

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**FOR IMMEDIATE RELEASE**

## **KANSAS MAN CONVICTED IN FREON FRAUD**

**SPRINGFIELD, Mo.** – Todd P. Graves, United States Attorney for the Western District of Missouri, announced today that a Pittsburg, Kansas man has been convicted by a federal jury today for his role in a scheme to defraud Sam's Club Membership Warehouses.

**Phillip O'Malley**, 39, of Pittsburg, Kansas, was found guilty of paying kickbacks to two managers of Sam's Club Membership Warehouses (SWC) who participated in the conspiracy by purchasing Freon from **O'Malley** at artificially inflated prices.

A U.S. District Court jury returned the guilty verdict to U.S. District Judge Richard E. Dorr at about 2:15 p.m. Friday, November 1, 2002, ending a trial that began October 28, 2002.

Co-defendants **Paul Doyon**, who operated from the SWC in Joplin, Mo., and in Tulsa, Oklahoma, and **Marc Lininger**, who operated from the SWC in Springdale, Arkansas, have already pleaded guilty to their role in the case and await sentencing. **Lininger, Doyon** and **O'Malley** engaged in eight separate transactions from May 1, 1996 through November 25, 1996. During that time, they received \$756,460 from the scheme.

The conspiracy began in 1996, Graves explained, after the production of Freon – a refrigerant gas used in many automobile air-conditioning systems and other cooling applications – was banned in the United States. Freon was perceived to be an item that would be in short supply, Graves added, allowing dealers of Freon to create an artificial shortage by buying all the Freon that was available in anticipation of price increases. Because of the volatility of the Freon market, Sam's Club Membership Warehouses, a large volume buyer and distributor of Freon, allowed its business development managers to purchase Freon at the local level rather than being controlled by the purchasing department located at Bentonville, Arkansas.

**(MORE)**

## **FREON FRAUD**

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According to Graves, two business development managers, **Lininger** and **Doyon**, arranged with **O'Malley** to inflate the price of Freon and to take kickbacks from **O'Malley** consisting of a share of the inflated price. **Lininger** and **Doyon** also conspired with **O'Malley** to engage in circular transactions, Graves added, in which Freon was purchased and then was resold to SWC at a higher price. Graves explained that **Doyon** and **Lininger** caused SWC to sell Freon to an entity controlled by **O'Malley**, then subsequently caused SWC to repurchase Freon from an entity controlled by **O'Malley** at a higher price. **O'Malley** then paid kickbacks to **Lininger** and **Doyon** in exchange for their participation in the transactions.

A sentencing hearing will be scheduled sometime after the completion of a presentence investigation by the U.S. Probation Office.

The case is being prosecuted by Assistant U.S. Attorney Richard E. Monroe. It was investigated by U.S. Customs.

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This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at  
[www.usdoj.gov/usao/mow](http://www.usdoj.gov/usao/mow)